I. MARKETING CONDITIONS

NEW BRANDS

Benson & Hedges Lights Box

Initial sell-in has been fair. Wholesalers have accepted almost 100%, but resistance is being met in chain accounts due to poor B & H track record in market. While 75-80% of chains have accepted, this does not include major accounts (Winn-Dixie, A & P, Food Lion, etc.), which represent 600-800 outlets. Retail pre-booking is moving product but meeting heavier than normal resistance with smaller quantities being booked.

Virginia Slims Ultra Lights

Excellent response to product at all levels. Distribution almost 100%. Exceptions:

Winn-Dixie, Raleigh (Pending)
Roses Stores, Henderson
Maxway, Sanford (On COD, considering going non-direct)
Freshway, Greenville, Accepting no new items

Retail pre-booking moved a large volume of product, but delivery timing did not match introduction. This option would be more effective with longer lead time. "2 for 1" promotions selling well but heavy trial noted from existing V.S. smokers.

Cambridge Family

Full flavor introduction continues to be well received and 25¢ pack promotion showed good movement. Overall distribution for entire family continues to show slow but steady growth.

Follow-up activities continue to gain distribution in two Winn-Dixie Divisions and to expand distribution in Food Lion. Through August, Cambridge has accounted for 6% of our direct volume.

Couponing continues to be a major factor for this brand family. As of September 1, 1987, we had 52,850 Cambridge coupons on hand. 16,000 of those were held for a new Incentive Merchandiser. During August, we used 77,287 coupons and sold 143,610 cartons of Cambridge to our direct accounts.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Five of six part-time persons involved in couponing at direct accounts are currently out of business, and 25 of 59 retail assignments went into September with less than 500 coupons on hand. In the past year, the brand's SOM has increased 94%, but we still account for only 13% of total generic business. Since competitive activity has softened somewhat in this area, we have the opportunity via couponing to increase our share of this segment. Additionally, VPR availability on a limited basis would be a major asset.

PM Sales

YTD, through August 1987, sales are up +6.7%, based primarily on Marlboro and Cambridge sales. Sixty-One Percent (61%) of our plus volume is derived from Cambridge, and the Marlboro increase would represent 55%. B & H/Merit combined are down 4.3%, with Virginia Slims showing marginal growth. While we are up in both share/volume, generic products continue to be a driving force in the market.

Industry Sales

Tobacco growers are showing an initial negative response to the RJR announced "smokeless" cigarette, while continuing to praise our domestic buying program.

II. MAJOR COMPETITIVE DEVELOPMENTS

American Tobacco

- Durham Manufacturing Facility now closed; continues to run shuttle bus service between Durham/Reidsville for workers.

- Primary sales force effort directed at Pall Mall Filter introduction. Wholesale reception less than favorable with some accounts indicating only contact by mail. Retail activity appears to be based on $2.00 on-carton coupon and B1G1F. Some movement being generated on B1G1F.

Brown & Williamson

- Only limited/isolated activity noted on behalf of Capri to date. Food Lion only major account known to have accepted product. Where product is in distribution, initial sales appear to be good.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

- Falcon continues to be pushed, with a 10¢ wholesale incentive distribution program on $1.00 couponed products. Movement continues to be slow. N.C. SOM June, 1987, was .44 primarily on introductory product.

Liggett & Myers

- L & M 30's continue to receive only limited wholesale support due to hand stamping. Retail distribution acceptance is mixed, with some pockets obtaining good acceptance. Across the board sales/distribution is only fair.

- Previous report indicated that Quinn Wholesale, Warsaw, was paying 48¢/ctn. to retail on quality seal. Further investigation shows this to be a pass along of the manufacturing rebate to Quinn to meet competitive pressure. The 26¢ Cambridge base rebate is also being passed along.

Lorillard

- No activity noted on "Harley-Davidson."

- Continued heavy retail support on Newport with "2 for 1" pack promotion generating heavy sales. Minimal impact on PM due to lack of strong entry in menthol market.

R. J. Reynolds

- 3rd Quarter load program appears to be effective, with most direct accounts reporting participation to some degree.

- Doral continues to receive retail support. Accounts appear to be limited to couponing once monthly with 50¢ coupons in low-volume and $1.00 coupons in high-volume outlets, with some reported instances of $2.00 coupons being utilized. Twenty-five cent (25¢) sticker on packs in response to Cambridge.

- Coupons appear to continue to be used as a tool for merchandising fixtures. One retailer recently reported being given $100.00 in coupons to accept an RJR Value Center.

- Vantage offering free World Seniors admission with purchase. Sales to date are slow, with event scheduled for October 2-4.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

III. TRADE CLASSES

Wholesale Distributors

- Atlantic Tobacco, Raleigh - Has acquired DSD for marginal brands for Winn-Dixie, Raleigh, due to a decision to reduce items carried in the Winn-Dixie warehouse.

- General - Trend appears to be developing that as accounts upgrade to computerized systems they are no longer interested in handling "2 for 1" and promotional product due to programming required.

Supermarkets

- Food Lion, Salisbury - Has announced plans to test pack vending in high-pilferage areas.

Convenience

- Holden Foods - New management to include new VP George Rush who, to date, has been receptive to PM merchandising programs.

Returned Goods

Returned Goods are down -4.3% through August. For the first four months of 1987, returns averaged .73% of sales compared to .36% of sales for the second four months. While part of the decrease can be attributed to improved product rotation and inventory control, retail workloads have curtailed the amount of time reps are spending in this area. As a result, when we have time to address this area, we may experience a heavy increase in this area for a one/two-month period.

IV. SSM KEY ACCOUNT CONTACTS

	Scotchman Stores	Jack Cotton
09/10-12/87	Wilmington, N.C.	Exec. V.P. Mktg.

Paine Webber Golf Tournament. Discussed general operation of Scotchman and market area.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

	H. E. Butt	**Dennis Hatchell**
09/10-12/87	San Antonio, Texas	V.P., Retail Operations

Paine Webber Golf Tournament. Discussed trends by company in Texas market area. In particular, discussed Houston market, where HEB does not operate. Dennis stated they had looked at some Safeway Stores in that area but did not purchase. Stated he had no plans to go into Houston proper, but would probably start working into the outlying metro area in the next few years.

	Food Lion	**Dan Boone**
09/10-12/87	Salisbury, N.C.	Dir. of Finance

Paine Webber Golf Tournament. Discussed expansion into Florida market, which Dan reported as currently exceeding expectation. Discussed communication problems with Food Lion middle/upper management. Dan stated he sees Tom Smith daily and would be glad to work on improving our image.

09/10-12/87	**Quinn Wholesale**	**Gerald Quinn**
09/23/87	Warsaw, N.C.	President

Paine Webber Golf Tournament. Discussed changes in operation as result of Schrivner purchase.

Discussed reported payment of rebate to retail on L & M generic. This is a pass-along to meet competitive pressure, and done with all generics, to include Cambridge.

	Southco	**Sherwin Herring**
09/10-12/87	Goldsboro, N.C.	President

Discussed Sherwin's support of PM in recent Petro Show, and laid groundwork for PM participation in 1988 show.

	Value Pak	**Lloyd Coats**
09/10-12/87	Dunn, N.C.	President

Discussed general operation of Value Pak and market area.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

	Super X Drug	S. C. Morris
09/10-12/87	Cincinnati, OH	V.P. Operations

Discussed merchandising and PM fixtures. He is interested in expanding this area and we need someone to followup.

V. MERCHANDISING PROGRAMS

Carton Merchandising Programs

Plan "AM"

- Quick Stop, Fayetteville, NC, (70 stores) - Has withdrawn from the program after one month due to excessive pilferage. Racks were equipped with security shields and placed in highly visible locations.
- One Stop, Shelby, NC - Has agreed to test program in six stores.
- Balance: Six chains for 202 stores, and reps starting to penetrate in selected independent outlets.

Plan "A"

- Food King, Troy, NC - Three stores upgraded to meet 51 minimum.
- Byrd's, Burlington, NC - Decision pending for 17 stores currently under minimum requirements.
- Experiencing strong opposition from SAM accounts (Food Lion, Harris-Teeter, Winn-Dixie) concerning 12/31/87 expiration. Continuing to address with alternatives to ensure contract continuation.
- No problems seen in total re-signing of local accounts. Some confusion exists concerning contracts; being addressed locally.
- YTD we added 111 outlets and 14,533 rows to Plan A. Average rows per rack (all volume) have increased from 59.9 to 63.4.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Plan "AV"

- Quick Stop, Fayetteville, NC (70 stores) - While terminating the Plan AM, they have expressed interest in utilizing a price value unit. Note: While pilferage was a problem with the AM unit, they feel it was due to the Marlboro popularity, not the merchandiser.

- Currently re-signing existing units, with the exception of approximately 200 accounts in the 200-299 CPW category. Due to the "mutual exclusivity" clause, only one of AL, AM, or AV can be signed in this volume category. This creates a problem due to:

  1) Under 300 CPW, AV rows cannot be added to AL, while AM can.

  2) It is to our advantage to maintain a separate fixture for value products.

  3) In the same volume range we can sign a B/M counter unit and AV.

- Continue to follow-up Winn-Dixie, Food Lion, and Harris-Teeter for placement of PM Value Centers.

- YTD we increased outlets under contract by 18% (+270 outlets).

PACKAGE MERCHANDISING

Plan "B/M"

Good overall penetration at 52.5%. Continuing to work to improve in-store location and visibility.

Plan "BV"

Scotchman and Quick Stop - Representing 210 stores, are pending conversion of unit to self-service.

PM FIXTURES

Carton

. Net loss of four units for this period; 322 remain on location.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

. RJR continues to hit hard in this area, but expanded use of Series 2000 should help maintain, at a minimum, the current level.

Package

. OPM's show a net loss of 40 for this reporting period.

. Zip Mart/Freshway (representing an additional 61 units) accepted RJR overhead.

. RJR continues to hit this area hard and their approach has become somewhat blunt, simply asking, "How much money will it take to replace your PM fixture."

Long Term - Account satisfaction with the RJR unit is low, and we have already recovered some due to this.

Short Term - We are going to experience heavy losses, but will recover the majority with time.

Point of Sale

. Marlboro personalized clocks are being placed in Kwik Mart, Hasty Mart, and Handy Mart for a total of 54 stores.

. Marlboro package banner has been authorized for 128 Pantry Stores in their Western Region.

VI. SECTION ACTIVITIES

Retail Activities and Accomplishments

. Primary retail activity for August was pre-booking of Virginia Slims, with September coverage directed to Virginia Slims retail introduction and B & H pre-booking.

. While account coverage, as reported on territory analysis, is down, reps utilized August to address building business via existing opportunity. A limited number of assignments appear to be taking advantage of the situation and are being addressed by SRO/DM.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

August Cycle Highlights

- 4,526 standard/promotional display units placed.
- 13,175 consumer contacts during standard coverage with 1.7 packs sold for each one CIP/20 utilized.
- 25 accounts added to Plan A, and increased August rows reflected in 300+ CPW category.
- Sales recorded in 54.4% of all contacts, and Virginia Slims pre-booking covered most account allocations plus additional inventory.

September Activities

- Contract re-signing
- VS/B&H/Cambridge FF introductions/support
- Several special events with heavy consumer opportunity.

Headquarter Management Activities

- Re-signing/expansion of merchandising programs.
- Introduction and follow-up of V. Slims/B & H introductions.
- Increased retail presence through fixturing and point of sale.

Highlights

1) High acceptance levels on both new brands.
2) Implementation of A & P (77 stores) Value Center and from 4- to 5-shelf unit.
3) Testing Value Center in Harris-Teeter (111 stores), with renewed interest in Marlboro Electronic Message Center.
4) Approval from Pantry (465 stores) for Marlboro banner in 128 stores in Western Region.
5) Approval for Marlboro personalized clocks in 54 stores.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Objectives This Period

- Continuation of re-signing/expansion of merchandising plans
- Follow-up Cambridge, V.S. and B & H introductions
- Continued follow-up to gain Cambridge/Value Centers in Winn-Dixie

VII. SALES SERVICES

- Continued problems in timely receipt of program instructions/materials downgrading the effectiveness of planning/implementing programs/products.
- Cambridge label/coupon non-availability is hampering potential of product in market.
- With increased numbers of "2 for 1" products being shipped into wholesale, we need to review current method of reimbursing for tax stamps on complimentary product. Existing program is creating confusion and delay in payment.

VIII. SALES DEVELOPMENT

TRAC System continues to include information from contingency calls. Considering priority of these calls in relation to existing workload, they are not being made and invalidate effectiveness of entire TRAC System.

IX. MEDIA DEVELOPMENT

- Receiving good showing on Virginia Slims Ultra boards. We continue to address art content/impact of boards and not account for physical impact/readability when physically placed on location. Virginia Slims boards are high quality, but low readability from any distance.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

X. ASSOCIATIONS/CONVENTIONS/MEETINGS

- 09/01/87 - Met with Barbara Reuter to discuss ideas for improving program/product effectiveness.
- 09/09/87 - Winn-Dixie meeting with NY personnel in Atlanta.
- Week of 09/10/87 - Paine Webber Golf Tournament, Charlotte, N.C.
- 09/11/87 - Development Seminar for high-potential sales reps held in Charlotte, N.C.
- Week of 09/14/87 - Tobacco Institute, Tobacco College of Knowledge, Washington, D.C.

XI. SSM MISCELLANEOUS COMMENTS

- We are losing much of the potential impact of the SPACE TREK Program due to slow follow-up. Prize books were two weeks late in shipment to the field, and the program details stated at the meetings: to be shipped the week of 9/4/87.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

I. Marketing Conditions

Virginia Slims Ultra Lights introduction is virtually complete with the only holdouts to date **Kangaroo** (105 stores) and **W. H. Smith/Elsons** (156 stores). Retail introduction is very successful with B1G1F product selling out quickly. Repeat sales have been good. Chain acceptance of B1G1F promotion has surpassed supply and cut into local accounts. ADA results are not yet complete.

Benson & Hedges Lights Box - Acceptance of the product by Area Manager and Division Manager chain and distributor calls is 95%. SAM accounts are slower to accept due to buying committees. Decisions should be made in the coming week. All comments are positive.

Cambridge Full Flavor distribution at retail is 70% and growing. Repeat sales following B1G1F have been good. Holdouts still include **Bi-Lo** (165 stores), **W. H. Smith/Elsons** (156 stores) and **Munford** who originally accepted. Every effort will be made to correct situation.

Cambridge Lights distribution at retail is 65% and increasing due to couponing efforts by Sales Reps and couponing at chain warehouses.

Players Lights 25's sales continue to be slow in the Section. This is one of the 25's to be dropped from the Munford distribution. All product will be worked out of the chain gradually. Distribution should maintain at approximately 65% until that time. This will mean a loss of approximately 80 stores.

Philip Morris Sales for September are not yet in. Month of August was down 3.7 YTD 4.2-. All major brands were down except Cambridge (+90.5 month, 66.4 YTD). Individual packings gaining, Marlboro Lights, Merit Ultra Lights and the new Virginia Slims Ultra.

Problems at Newton Canton this period have continued to cause lost sales from chain force outs being cancelled by the distributor. This has been discussed with their management but their problems continue to persist under the new general manager.

TAP/TAN activity this period was slow due to high activity of the Sales Force. One situation in Atlanta was brought to my attention by Government Affairs. A proposal was made to a state representative to sponsor a tobacco and alcohol addition tax ("Sin Tax" as it was called) in Georgia to

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fund indigent health care. I alerted our Sales Rep in the representative's area, who immediately wrote and called to protest the proposed legislation. Response from the representative was quick and supported us on no additional taxes. Sales Rep Mike Wannamaker is to be commended for his quick response.

II. Competitive Developments

American Tobacco continues to maintain support for the **Malibu** introduction. Paying to maintain them on competitive fixtures to gain sales. No sales increases have been noted over initial trial.

Brown and Williamson is continuing to display and use incentives on **Capri**. Trial is high, but repeat sales slow. Most warehouses report slow movement on a weekly basis.

Liggett and Myers continues to promote their rebate for an exclusive on their generic product for a quarter. No success reported from account contact. 30's continue to be slow with activity now in the South Carolina area only. Sales Reps have noted the presence of their newest generic **"Class A"** in the Rock Hill area of South Carolina. They are soliciting relailers for floor displays (90 carton). No pay known.

Lorillard continues to promote **Newport** with B1G1F and other normal offers.

R. J. Reynolds is running their version of the Inventory Maintenance Program currently. The response is as expected, accounts taking full advantage of the offer as they will ours.

Adverse comments from Winn Dixie following the presentation of the new "Alarm Rack". It was rejected due to the money not being sufficient. 3 for 3 offer on **Winston** being seen throughout the Section. They have excellent coverage in all chains on their pack offers.

III. Trade Classes

Activity in the **Distributor** area is centered around the relocation of two major accounts. **Newton Canton** is continuing to cut orders from their facility due to equipment problems, lack of manpower and general confusion as they are try to merge the two operations. Contact with them shows they feel they are on track. The major problems are in completing foceouts to chain accounts on the Virginia Slims and the upcoming Benson & Hedges. We are

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coordinating with their management. The other problem is their accumulation of old stock. We are set to crew work this next week to assist them. The other account is **Eli Witt/East Point.** Their move is scheduled for the first week of October. The warehouse is almost complete and they are preparing for dry runs. All is anticipated to run smoothly.

Wholesale Grocer activity is the continuing request from McLane Southeast to change from their current next day delivery (order one day - ship to trucker next - deliver the next day) to the same day (order one day - ship and deliver the next). Their proposal is to have orders called in by 8:30 AM, processed and shipped the next day.

Supermarket activity is centered around new Plan A contracts in **Bi-Lo** (165 stores) and **Big Star** (54 stores). Buying decisions for Big Star are now being made at headquarters in New Jersey. **Food Giant** (35 stores) has also reorganized buying with new merchandiser and pricing coordinator.

Convenience Store activity shows the prime concern is the current proposals made to **Mr. B's** (155 stores) are on hold due to scheduled buy out by **Charter Marketing** on September 30, 1987. Banner program, however, has been booked. New carton rack proposal is in the works for **Racetrac** (128 stores) for a Series 2000 LP for all new stores and as stores are remodeled. Rapport has increased since SAM assuming account. Problems have developed with our OHPM placements in **Fast Fare** (183 stores) due to conflicting letters of authorization being received. Our wall mounted units are being installed as per schedule.

Newstand activity is great. Agreement has been reached for Philip Morris participation in the new merchandising program at **W. H. Smith/Elsons.** This is the end of a long negotiation. I will personally handle the account with the assistance of Area Manager Lesa Kelcy, who has been instrumental in the implementation of the first special 2 pack display. Our first job is to complete space data.

IV. SSM Key Account Contacts

8/31/87	Winn Dixie/Gnvl.	Tony Owen	Present VS UL and B&H Lt Bx. Both accepted by Tony. Await E. Witt #'s.

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8/31/87	Bi-Lo	Mart Orr	Present B&H Lt Bx. Pending followup Plan A.
9/1/87	Winn Dixie/Atl.	R. Kellar	Present B&H Lt Bx. Pending acceptance VS UL.
9/2/87	Big Star/Grand Union	C. McKnight Buyer	Present B&H Lt Bx. Pending acceptance VS UL. Followup Plan A.
9/11/87	RaceTrac	J. Willis/VP G. Moon/St. OP L. Snow/Buyer	Followup on compliance discuss ctn. rack, light box advertising and future promotions.
9/14/87	A&P	J. Thurmond Buyer	Discussed compliance problems on Plan A.
9/16/87	Kroger	K. Overstreet Pric. Analyst	Discussed new Plan A proposal.
9/22/87	Newton/Canton	C. Arnold/Own. G. Jabley/GM	Discussed problems with product movement.
9/23/87	W.H. Smith/Elsons	N. Massalo Merc. F. Smith/VP	With K. Sass & P. Bernardo firmed up PM participation in display program.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

V. Merchandising Programs

Carton Merchandising Programs

Plan A
Implementation of the **Bi-Lo** POG has begun and will be complete by the first week in October. **Big Star** will begin as soon as casters for new racks are received in their stores.

Presentation will be made to **Kroger** (95 stores) and **RaceTrac** (128 stores) in October to increase space and eliminate the row gap. Some of the RaceTrac fixtures are under the 51 row minimum.

Plan AM
Food Mart (13 stores) has accepted for all stores. Recently signed **Quick Thrift** (28 stores) has experienced problems with theirs. Area Managers is working to eliminate by relocating rack in a better area.

Plan A1
Marlboro Sports Bag was well received by accounts and customers. Usage is expected to be 100%.

Counter Merchandising Programs

Plan B/M
Mr. B's (153 stores) has signed a LPM4 for all stores.
Minit Save (10 stores) has completed all stores with new BV.
Swifti Food (7 stores) has signed a BV for all stores.

Special Merchandising Programs

Benson and Hedges conversion program is running smoothly. All warehouses seen to date are using new product. Incentives are being used where necessary to move old product. Radio is not of best quality. Some complaints have been noted that it doesn't work all the time.

Marlboro Sampling Program was completed with 95% of the samples used. Some shortages noted earlier were the result of a break-in at one of our POS points. The facility has been moved for greater security.

Philip Morris Carton and Package Fixtures

Carton Rack
Winn Dixie/Atlanta still pending appointment for presentation. Awaiting return of rendering from New York for the proposed **RaceTrac** Series 2000 fixture.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Placed Series 2000 carton fixture in Hardeeville, South Carolina at the **Lil Rebel Amoco Truck Stop** on I-95. The account is very pleased with the new set up. 550 CPW utilizing 2-6 foot and 1-4 foot inline.

Package
Installing wall modules in **Fast Fare** selected stores in Greenville. **Majik Market** conversion program is on hold again, due to internal difficulties. No new start date.

OHPM
Previously reported **Fast Fare** OHPM's are possibly cancelled due to RJR presenting a conflicting authorization from their office in Baltimore for their OPM. Will followup.

POS
Exterior signage program in the Atlanta area has begun to eliminate the gap in coverage caused by an RJR constant blitz to impress their new corporate office. Will utilize RMA's to set signage immediately following regular calls by Sales Reps. **Country Cupboard** (33 stores) have authorized all stores for Counter Balance.

Shopping Baskets
Have been authorized for **Circle M** (14 stores). Previously for **A&P/Atlanta** (58 stores), **Winn Dixie/Atlanta** (94 stores), **Golden Pantry** (83 stores).

Electronic Message Center
Presentation has been made to **Community Cash** (43 stores). Initial reaction was positive, but following presentation by FVB Division, they have backed off. A proposal for a generic sign possibly was what made them reconsider. We are following up to determine chance at this point. Presentation made to **Piggly Wiggly/Charleston** (96 stores) this week. Results not known.

VI. Section Operations

SAM training continues on gaining the knowledge of the accounts to properly present PIP's in the coming months to selected accounts. The first appears to be **Kroger.** We are "partnering" with the buyer by gathering information to start a series of presentations aimed at increasing profits by increasing the size of the current rack (1 foot on either side). Buyer was impressed with the initial output of our Planning Desk and is completing the data we need to progress further.

Management accounts have been covered for the introduction of the Virginia Slims Ultra Lights and Benson & Hedges Lights Box. All presentations were effective and well

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

prepared. Many were personally attended. Initial launch into **SPACE TREK** is positive. Some confusion exists regarding the 50% Marlboro requirement. I am continuing to reinforce the need for Marlboro to be there for adequate sales coverage. One report (32-72) has manually computed new row gain to date for his group and is 1,353 towards our ultimate goal of 38,887. The Space Ship has been name, as per Space Trek Command.

Division concerns are centered around the SPACE system and the abundance of errors being found. Division Managers continue to work with Reps with very little result. Gathering information for a project to correct errors in each territory, concentrating on chains in one division. Will compile and report as soon as complete data to start is received.

Vacancy rate has been high for the last several months. Spouse relocations (2); return to school (1); discharge (1); resignation (2), seem to be a result of the job and the environment. I will be discussing the problems with the SRO's to determine what steps, if any, we can take to curb the situation.

VII. Sales Services

Have received good response on requests for point of sale from Carlstadt or when requesting special pieces or programs.

Fleet system has been put in place at Section level to monitor sales of vehicles in my group. Problems in van racks have been communicated to the manufacturer. Hopefully, the problems can be rectified quickly.

VII. Sales Development

Incentives for the two introductions were unique and appreciated by all accounts. The camera was probably the least liked due to the pictures not being clear. At the same time, another camera of this type (Kodak) was being distributed by another consumer products company. It appears to be the same but better quality. Possibly, we should use more name brand products of this type. American made?

Benson and Hedges radio has also been reported to have static and cutting on and off problems. I checked one and it does, in fact, have this problem. Virginia Slims Sampling Trays are deteriorating quickly, due to weather conditions. When wet, they collapse. We are using alternate bags.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

IX. Media

Assistance has been greatly appreciated on the arrangements for the current Falcon's season. The transparencies were received for the Stadium and have been placed. Clocks have been repaired locally as we needed to have them operational by season's end for the Braves and start of the Falcon's. With the current strike, we are still proceeding with invitations to the tailgate party scheduled for the Rams/Falcon's game on October 18. Better to be prepared.

X. Associations and Conventions/Meetings

NATD Warehouse Management Seminar, September 16-17. Due to late notice, I attended the Philip Morris sponsored reception and the Warehouse tour only. All went well at reception.

XI. SSM Comments

I am really pleased with the direction of the SAM position and my involvement with them. The account exposure is outstanding and the day to day sales activity is building the rapport and the future "partnering" with them that will enable us to attain the "Lockout SOM". Everyone is really working together to make it happen in the Section. The support they are giving me and my requests is making the job easier.

The MPA is on track with his job and with more time in the Section, he will regain the knowledge base of our accounts and activities that he needs. The pressure of time has made the Planning Desk training less than desired, but is picking up to optimum in October.

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I. MARKETING CONDITIONS

Philip Morris/Industry

With brand proliferation continuing, accounts are taking a hard look at new products sales value. They are also reviewing sales of existing products and categories. Several key players have discontinued Players Lt. 25's in the past month. Our current B1G1F will be used in an attempt to reintroduce this product.

The new Florida Lottery offers new promotional and advertising opportunities, however, no one seems to know what games the first weeks will offer.

New Brands

Cambridge Full Flavor

Accepted by Winn Dixie, Montgomery, AL (125 stores). Will force out 5 cartons of each packing per store.

Major Holdouts

Winn Dixie, Jacksonville, (90 stores) - Pending due to slow sales on Cambridge Lights.

Delchamps, Mobile, AL (96 stores) - Still pending, but continues to look very favorable.

Tom Thumb, Crestview, FL (97 stores) - Has simply refused to date.

Publix, Jacksonville, FL Div. (61 stores) - Pending - Lakeland, FL headquarters approval. Will allow stores to pick up through secondary source.

Virginia Slims Ultra Lights

Accepted by Winn Dixie, Montgomery, AL (125 stores) this month.

Sales very good at retail, especially with B1G1F.

Holdouts

Delchamps, Mobile, AL (96 stores) - Pending operations approval.

Benson & Hedges Lts. Box

With this product we found that many accounts won't buy two new products at once. Several majors continue to be pending.

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Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Generics and 25's

L&M Light 30's are being tested in Savannah, GA. Acceptance has been slow and resistance high due to taxation, slow 25's sales, and other new products.

L&M couponing Black & White stock with $3.00 coupons to get below Cambridge and Doral. This appears to be to reduce existing stock, as no new stock was left or ordered. L&M also couponed Value Time in Delchamps, Mobile, AL (99 stores) at $1.00 carton. Class A couponed with .25¢ peel off pack coupon with Pic N Save, Jacksonville, FL (40 stores).

Reynolds introducing Magna in remainder of markets at full price. It was previously introduced as generic priced product. My understanding is that pricing will increase in all areas to full price. Accounts feel the end has come for this product.

II. COMPETITIVE DEVELOPMENTS

American

Major activity continues toward Pall Mall Red and support of Value products. Placing 4-wide, 4-shelf plastic Value Centers with Lucky, Tareyton, and Malibu; all merchandised with $2.00 or $3.00 off coupons, and incentives. (sunglasses, watches, or calculators.)

B&W

Kool Lts. and Kool King being promoted with $2.00 off coupons. Kool Lts. and Richland displayed with B1G1F.

Capri sales being promoted with B1G1F and free pen on two packs or lighter with two packs.

Sales have slowed on Capri quite dramatically.

L&M

Sales Reps paying retailers cash of $3.00 per carton to effect price reduction of same on existing Black & White store stock. No new orders being placed with retailers. Value Time at Delchamps being couponed at $1.00 off and Class A in Pic N Save packs couponed with 20¢ off coupon.

Lorillard

Promoting their brands with pack promo featuring 20¢ off coupon sticker. Reported that each S/R has quota to place by end of Sept.

2043945327

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

R. J. Reynolds

Two part-timers hired in Pensacola area to reorder and sticker all Doral. Reports being received that Doral coupons are again being placed in large numbers on Doral ($1.00) at retail.

III. TRADE CLASSES

Distributors

Higdon Grocery Co. has closed their Rack Division at the Quincy, FL location. Fixturing will be shipped out of another Wetterau. Higdon has been plagued with layoffs this year due to loss of business from Family Mart Stores.

Most distributors favor RJR's third quarter load-in, and are taking advantage of it.

Overall depth of inventory is adequate. Upcoming inventory maintenance program should fill any gaps.

Acceptance of PM's new brands and programs remains good.

Supermarkets

J. H. Harveys, Nashville, GA (29 stores) - has contracted with American for 8 rows on their RJR Value fixture. American will feature Luckys couponed for $2.00. They wanted to use payment as a tool to gain acceptance for Malibu, however, Harveys refused that product. Harveys will be evaluating Value Fixture at the first of year, and they want a merchandising payment on that fixture from Philip Morris for Cambridge. They have not budged on putting in a second fixture or adding a supplemental fixture for Marlboro. Buyer says to bring him any offer for space on the Reynolds fixture, but not on a PM Value Center.

Continuing to work with Tank Hutchinson at Piggly Wiggly, Vidalia (82 stores) on additional rows. Tank has agreed to look at additional planograms.

Winn Dixie, Montgomery, AL (125 stores) is very interested in our Value program. It appears now that a PM 3/4 wide fixture will be placed to accomplish this.

Delchamps, Mobile, AL (96 stores) This account is still very interested in Cambridge and an expanded Plan A. They say they will expand their cigarette department to take on Cambridge and increase PM payments. This will develop slowly, however.

2043945328

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Convenience

Charter Marketing, Jacksonville, FL (278 stores) - Charter will close on Mr. B's on 9/30/87 and has requested Marlboro banners for all Mr. B's stores.

Approval on Value centers and BV's looks good in the near future.

Sunshine Jr. Food, Panama City, FL (325 stores) will test AM's in 22 stores as a part of a carton promotion chain test. Marlboro "3-pack" banners are being implemented and counter protectors have been ordered.

Drug

Nothing new to report.

Mass Merchandisers

K-Mart, Troy, Michigan - This chain's removal of Cambridge from their stores has most Eli Witt branches and headquarters concerned about overstocks and slow sales on Cambridge. K-Mart is a major Eli Witt customer.

Vendor

Nothing new to report.

IV. SSM KEY ACCOUNT CONTACTS

9/16/87 Delchamps, Mobile, AL (96 stores) - Met with Buyer Russell Botz and with Director of Operations, Joel Cambrun. Discussed Cambridge, Plan A expansion for Cambridge, and pack merchandising. It looks good that Cambridge will be accepted and that Plan A rows will be gained in Delchamps value department. It won't happen quick, however.

9/18/87 Petrey Wholesale, Petrey, AL - Met with Warren Jackson (co-owner) to air out potential problems regarding PM programs which apply to direct accounts.

9/22/87 Charter Marketing, Jacksonville, FL (286 stores) - Ron Johnson - VP Marketing - Discussed Charter's takeover of Mr. B's stores in Georgia, which will occur on 9/30/87. Ron ordered banners (Mr. B's logo) for all stores.

2043945329

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Key Account Contacts Continued

9/23/87 - Sunshine Jr. Food, Panama City, FL (325 stores) - Annette Trojillio - Director of Merchandising and Gene Bush, Buyer. Finalized banners and counter protectors, finalized test of AM's, discussed BV's, and counter balance. We reviewed inventory organization and control, which will require follow-up.

V. MERCHANDISING PROGRAMS

Carton Programs

Plan A

Winn Dixie, Montgomery, AL (125 stores) - Signed agreement for 54 rows; additional rows look good for value products. Implementation has started.

Delchamps, Mobile, AL (96 stores) - Plan A expansion of 12 - 16 rows still looks very good and will be very important to overall PM sales. This account moves very slowly, but I expect results this year.

Plan AV

Charter Marketing, Jacksonville, FL (278 stores) - Looks very good for Value Center placements in higher volume stores, probably half.

Plan AM

Signings are picking up. Sunshine Jr. Food will test in 22 stores as a part of an overall carton sales test.

Plan A-1

Marlboro Sports Cap promotion with Certified Grocers is progressing well with the appearance of all 1000 displays placed.

Pack Programs

Plan B

Efforts toward large displays and prime position is paying off with Sunshine Jr. expanding to M-4 prime position in all stores.

BV's

Approval for this unit in Charter Stores and Lil Champ, Jacksonville, FL (200 stores) looks very encouraging.

2043945330

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

BV's Continued

Our payment appears low on this unit, with a larger unit needed.

Players B1G1F

Presentations are being made on behalf of this unit, Lottery calculators have not arrived, but should create interest.

VI. SECTION OPERATIONS

Retail Activities

For August, 31 territories cycled at 90% or better. We had 2 sales territories vacant and this was the month that most sales personnel took vacation time during an already short cycle, due to meetings. Call rates continued to show their upward movement as closer management of call contacts and time was applied. Maxi of 12.2, Daily of 11.5, and True of 9.1. Retail coverage involved pre-booking of the Virginia Slims Ultra with 459 accounts booked for 5,645 cartons. I must note that there was additional booking activity that was sent straight to the distributor.

Achievements:

.Ten new AM's signed to date.

.Accuracy now improved considerably over new book printing and nature of errors better understood.

.DM tracking system in place with field follow-up and goals to be set at this pint.

Along with these achievements, we worked on two new brands with the highest cash/job/book gains ever by retail with 32% of all total call contacts booked or sold for cash. We pursued system 2000 with 10 accounts now sold and 7 set. Plan A's were reset and resigned.

Headquarter Activities

.B.P. Gulf (11 stores) Mobile, AL - Completed OPM conversion.

.Area Manager, Pat Teefey attended managers meeting for Compac of Mobile, AL (16 stores). Discussed inventory control, order guides, and Plans AM and BV. Also, gained test for Plan A in Jr. Foods of West Florida.

2043945331

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Headquarter Activities Continued

.Area Manager, Kathy Kalkines signed Obico, Jacksonville, FL (10 stores) to an AM contract. She also signed Skinny Jimmys (4 stores) Jacksonville, FL to a BV (4 stores), M-4 prime (3 stores), and AM (3 stores).

Objectives For This Period

.Continue follow-up on System 2000 with millers and M&M Markets.

.Follow-up Plan A with Drug Emporium in Jacksonville, FL.

.Follow-up presentation to Harveys on additional Plan A rows, and supplemental fixture.

Follow-up continues with all accounts on behalf of PM brands and programs.

VII. SALES SERVICE

TRAC sheets and system is a real bonus, but some positive changes are needed. Contingency calls need to be removed or dealt with separately. This is a valuable and important tool for the field, however, side systems have begun to appear as we are not able to yield all the information we need.

VIII. SALES DEVELOPMENT

Have conducted DM seminar and MAP seminars this period to further enhance our people and further develop their skills. Our Region Trainer has been of tremendous help in this regard and has worked closely to meet our demands.

IX. MEDIA

Virginia Slims Ultra Lights billboards are of very good quality and are creating excellent demand with consumers.

2043945332

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

X. ASSOCIATIONS/CONVENTIONS/MEETINGS

Winn Dixie Meeting Attended by SSM and MPA.	9/9/87	Atlanta, GA
FTCA Attended by SSM.	9/10-13/87	Ft. Lauderdale, FL
MAP Seminar Attended by all MAP candidates and SRO.	9/17-18/87	Jacksonville, FL

XI. SSM COMMENTS

It has been reported that Cambridge labels, coupons, and AV and AM headers are now available. These will certainly be a welcome addition to our sales tools.

2043945333

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

2043945334

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

I. MARKETING CONDITIONS

New P.M. Brands

Cambridge Full Flavor -- acceptance continues to be positive. Distribution accomplishments reported in the weekly update. Coupon support continues to be needed to maintain distribution and sales on this brand.

Virginia Slims Ultra Lights -- sell-in of brand at wholesale and retail levels progressing well. Distribution accomplishments will continue to be provided via weekly update.

B&H Lights Box -- acceptance at wholesale level continues to increase. Distribution accomplishments are being reported via weekly update.

The Benson & Hedges packing changes seem to be well accepted. Feedback indicates consumer response is positive.

Philip Morris U.S.A.

Unit volume for the Section continues to be on target so as to achieve year-end objectives. The 3rd Quarter Inventory Maintenance Program should be very instrumental in providing good volume results for the month of September '87, as well as the quarter. Discussions with retail and management accounts reflect continued sales growth for PM overall. It appears that there is a definite attitude shift to Philip Morris U.S.A. being the true industry leader, and more contact of our personnel is occurring relative to thoughts, ideas, direction, input, etc.

Industry

There remains a major concern on the part of personnel in our industry relative to proposed Federal Excise Tax increases. All concerned individuals are being encouraged to contact their Congressional delegates stating opinions and opposition.

A review of the 2nd Quarter Geographic Volume Report reveals industry volume down in two of the three markets which, based on available information at this level, is attributed to transshipments of product. McLane Suneast, representing a YTD volume of some 850,354,000 units, shipping into all three markets, has most definitely increased volume in the Orlando market, and it would appear that the Miami and Tampa markets are down as a direct result.

2043945335

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

II. MAJOR COMPETITIVE DEVELOPMENTS

American

Malibu -- distribution of this brand appears to be tapering off, declining to approximately 60% with reports of minimal movement through wholesale level.

Pall Mall Filters -- distribution is in the 70%-80% range. Retail promotions feature B1G1F, $2.00 off coupon offer enclosed in each pack, and $1.00 off coupons attached to all visible inventory. Although distribution is high, product is not moving.

American's current activities seem to have minimal impact on PM business.

Brown and Williamson

Capri -- distribution remains near the 75%-80% level, although sales are extremely slow. Retail offers continue to feature B1G1F, two pack with lighter on 2 pack with pen set. Heavy outdoor billboard support still prevalent throughout the Section.

Kool family -- major retail emphasis directed toward this family. B1G1F's are prevalent.

Liggett and Myers

Eve -- promotional activities have been increased to coincide with the Virginia Slims Ultra Lts. introduction. Retail offers include two packs with lighter and $2.00 off coupons attached to all inventory.

Current programs are having no impact on PM business.

Lorillard

Newport -- this brand continues to show sales increases. B1G1F is the main retail promotion in all markets. Additionally, retailers are being offered 20¢ a carton on all Newport family purchases. Response to this program is excellent.

Harley Davidson -- sales reps are selling in this test market brand on the west coast of Florida. Brand is advertised as having an "All American" image, and appears to be targeted toward the motor bike enthusiasts. No further details available.

2043945336

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

R. J. Reynolds

Magna -- wholesale and retail prices remain at the generic level at this time. Retail promotions feature two packs with sunglasses, two pack with NFL cooler cans and $2.00 off carton coupons. Distribution estimated to be at the 70% level. Although brand is not in the Miami trading area at the wholesale level, over half the chains carry it due to a spill-over from the Tampa and Orlando markets.

Vantage Ultra Lights -- heavy retail promotion of 2 packs with 2 mini lighters.

Camel -- reps are prebooking for upcoming October promotion featuring Buy 3 Get 3 Free 40 unit counter display.

Doral -- 3 wide Doral value merchandisers reported to be paying $75.00 per placement with guaranteed ongoing couponing. Increases in the number of merchandiser placements noted due to coupon guarantee.

Military

Nothing to report.

Generics

Nothing to report.

III. TRADE CLASSES

Wholesale Distributors

Current IMP program progressing well. It appears that most accounts will take full advantage of this program.

Eli Witt, Tampa -- all branches will participate in the IMP program.

Wholesalers are voicing some concern on the number of 2 for 1 programs and case quantities during the months of September and October. Virginia Slims Ultra Lights, Players 25's and B&H Lights Box promotions overlap. Concerns focus on tying up floor space stamping and tax stamp reimbursement.

2043945337

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Recommend State tax stamp monies for complimentary product be deducted off invoice as is done with the handling allowance. This would save quite a bit of time for Area Managers, Division Managers and office personnel who currently are involved with distribution of these monies.

Wholesale Grocers

Mr. Bill Fendrick, V.P. Purchasing, McLane Suneast, has stated that this division remains receptive to programs and the receipt and distribution of product/materials such as the Circle K coffee promotion. This provides a good source for the entire State of Florida for appropriate and future programs so as to gain rapid product/materials distribution.

Supermarkets

U-Save Supermarkets -- both the EMC and Series 2000 fixtures are currently being evaluated, with feedback at this time remaining reasonably positive. Follow-up will be accomplished on or about October 1, 1987.

Convenience and Convenience Gas

7-11 Sunshine Division -- BV contract signed for 525 stores. BV will feature Cambridge and 8 packings of A.A.V. products. Contract signed by FVB manager, T. Huey. Scheduled for placement during October.

Circle K -- carton racks continue to be delivered and installed. P.O.G.'s have been developed for 50% Marlboro rows.

Drug Stores

Nothing to report.

Mass Merchandisers

K-Mart -- effective September 28th, the only generic-priced packages that K-Mart will carry will be Doral and Austin. Cambridge will be removed from distribution. Discussed potential excessive Cambridge inventories with Eli Witt which may develop because of this program.

2043945338

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Liquor

Nothing to report.

Vending

Nothing to report.

Military

Nothing to report.

Price Clubs

Nothing to report.

Returned Goods Salvage Program

Reports From		Cartons Salvaged	Cartons Returned	Total
		August, 1987		
AM's	(6)	1,068	6,262	7,330
RGP's	(2)	2,434	8,257	10,691
SR's	(1)	0	0	0
Total		3,502	14,519	18,021
% Rate		19.4%	80.6%	100.0%
		September, 1987		
AM's	(6)	857	7,091	7,948
RGP's	(2)	2,642	8,018	10,660
SR's	(1)	0	528	528
Total		3,499	15,637	19,136
% Rate		18.3%	81.7%	100.0%

IV. SSM KEY ACCOUNT CONTACTS

Date	Account	Contact	Purpose
9/11/87	Eli Witt	M. Paul Sr. V.P. Sales	Cambridge Inventory

Discussed potential excessive Cambridge inventory resulting from K-Mart generic program.

2043945339

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Date	Account	Contact	Purpose
9/18/87	U-Save	C. Coggins Merchandising Supervisor	EMC Series 2000

EMC decision has not been finalized. Series 2000 fixtures presented and discussed. Follow-up to be accomplished in approximately two weeks.

9/18/87	U-Save	K. Miranda Grocery Buyer	B&H Lts. Box

Both packings accepted.

9/18/87	Handy Food Stores	A. Anderson Merchandising Manager	Plan AM

AM rejected at this time due to space restrictions.

9/21/87	Eli Witt	M. Riegler, V.P. Finance P. Walsh, V.P. Regional Mgr.	IMP

Coordinated purchase for full allocation at all branches.

9/22/87	Circle K Eastern Region	B. Buffalo Regional Merchandise Mgr.	Carton Merchan-dising Pro-grams

National Accounts Manager, B. Garry, presented carton merchandiser test results. All elements of upcoming program will be reviewed.

9/23/87	McLane Suneast	B. Fendricks V.P. Purchasing	Business Review

Discussed general business, trends, and related developments.

2043945340

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Date	Account	Contact	Purpose
9/23/87	Independent Wholesale	J. Lemus President	IMP

Discussed and reviewed. Entire allocation will be purchased. Discussed general business trends and related developments.

V. MERCHANDISING PROGRAMS

Appreciate upcoming revisions to MIDAS Plan A Tracking System.

SPACE TREK program was well received by all Section personnel, and will surely result in the objectives being realized.

VI. SECTION ACTIVITIES

Marlboro Cup Simulcast -- special event report submitted under separate cover for this 9/20/87 event. Recommend continued involvement in this annual event.

B&H Command Performance Jazz Tour -- planning completed, materials received, and tickets distributed for all three events: Orlando - 9/25; Miami - 9/26; and Clearwater - 9/28.

B&H Command Performance Pop Concert -- planning completed, materials received, and tickets distributed for this event to be held on 9/26 in Boca Raton.

Tailgate Party Miami Dolphins/N.Y. Giants -- received initial notification on 9/8 of upcoming event scheduled for 9/27. Event will be postponed if strike continues. Customers tentatively invited.

We would greatly appreciate more notice on special events or promotions that involve customer participation. Initial notice of customer involvement on both the tailgate party and pop concert was received only two and a half weeks in advance of events. This creates a time compression for all personnel to invite key accounts. Most large accounts contacted declined invitations because of short notice.

2043945341

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

VII. SALES SERVICES

Systems

Planning desk -- recommend development of an easy access card similar to the one available for the Marketing Message System. Card should be designed for all programs, but particularly for SPACE Command.

Fleet

Good support continually provided.

Materials Distribution

Noticeable improvement during this month on follow-up communications regarding special promotions material shipments and delayed shipments.

Office Administration

Office furniture was delivered this week. Planning desk is anticipated in the next two weeks.

VIII. SALES DEVELOPMENT

Nothing to report.

IX. MEDIA DEVELOPMENTS

Very good support on behalf of Virginia Slims Ultra Lights introduction has been personally observed and reported from all areas of the Section.

X. ASSOCIATIONS/CONVENTIONS

FTCA Convention held at the Ft. Lauderdale Marriott Harbor Beach Resort September 10-13, 1987. Mr. Jerry Lemus, President, Independent Wholesale, was elected for a one year term as the President of the Association. A separate convention report has been submitted.

2043945342

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Details are being finalized for the Winn Dixie Festival of Foods Trade Show, October 23-25, 1987, at the Coconut Grove Exhibition Center.

The Florida Retail Grocers Association Convention, October 25-27, 1987, details are being finalized.

XI. SSM MISCELLANEOUS COMMENTS

Recently there has been a noticeable increase in the number of requests from New York for product to be purchased locally at either wholesale or retail, then shipped or delivered to a variety of destinations, mostly Richmond and convention hotels. The requests range from 10 cartons to 150 cartons. Distributors are becoming increasingly reluctant to wait 30-45 days for payment when large carton purchases are involved.

2043945343

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

I. MARKETING CONDITIONS

Cambridge Full Flavor's sales have been excellent. Continues to outperform the Lights.

Virginia Slims Ultra Lts introduction has been very successful. Good movement at retail, however, it's been largely at the expense of other Virginia Slims packings.

B & H Lts Box management sell in has exceeded expectations with very few accounts non-accepting. No major account has refused acceptance.

We have a definite problem with Players Lts 25s. Retail sales are poor, thus poor movement from distributors. Several distributors are sitting on a large amount of product that is near being out of date. The potential exists for a very large amount of returns over the next few months.

II. COMPETITIVE ACTIVITY

American

Malibu being promoted with 30¢ off per pack - $3 off per carton. Poor movement. Pall Mall Filters offering 20¢ off per pack and 2 for 1's with a $1 off coupon contained in each unit. Again, poor movement.

Brown and Williamson

Recently received information that Richland will soon be offered in a 20 pack, priced as a generic. Unclear as to whether this would be an additional packing or a replacement.

Liggett and Myers

L & M 30s being introduced in Nashville. Too early to accurately measure movement, but little interest being shown by retailers or consumers.

Lorillard

Heavy emphasis on couponing all brands and packings. "$8 off" offer consists of $2 redeemable coupons plus a $6 mail in offer. Little if any effect on sales.

2043945345

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

R. J. Reynolds

Majority of RJR's efforts have been reactions to our proposals, i.e., System 2000, Plan AM, OHPM's, etc. Credibility with retailers is declining every day, particularly in Alabama.

Huge amount of product being ordered in by direct accounts in response to their quarter-ending load in program.

Good distribution but extremely poor movement on Winston Lts Box.

Butch Dischiara, City Wholesale, reports receiving 2 cases of Magna, which were purchased by local Sales Reps. No other details to report.

III. TRADE CLASSES

Distributor/Wholesale Grocers

Rumor circulating that Tag Distributing, Chattanooga is in financial trouble and could close soon. Possible buyer would be Eli Witt. Rumors were relayed to Ralph Mannheimer, NYO, but emphasized that they're rumors only.

Supermarkets

Western Supermarkets has accepted a test of our 7-shelf System 2000 in one store.

Kroger, Nashville, gave us 4 more stores for System 2000 and package fixture placements. Possiblity that RJR would pay on our 7-shelf fixture, but that's not been finalized as yet.

Foodway, Fayette, AL, accepted our 4-wide AV's in 20 stores.

Convenience/Convenience Gas

Golden Gallon, Chattanooga, accepted counter balance signs for 19 stores and possibly OHPM's at a later date.

Drug

Nothing to report.

Mass Merchandisers

Nothing to report.

2043945346

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

IV. SSM KEY ACCOUNT CONTACTS

90/9/87 City Whlse, B'ham Butch Dischiara, Owner

Purpose: General Discussion

Contacted Butch to discuss rumors of his business being purchased by Head Tobacco Company, Atlanta. Rumors unfounded. Also discussed upcoming golf tournament which we will be co-sponsoring.

9/17/87 Eli Witt, Knoxville David Renfro, House Mgr.

Purpose: General Business

Contacted David to review general business. Warehouse has been redesigned and efficiency greatly improved.

9/18/87 Kroger, Nashville David Bennett, Buyer/Mdsr.

Purpose: System 2000 and EMC

Met David at our POS showroom and showed him our 7-shelf System 2000. Good response as these fixtures will be utilized in next store set. Showed our video on the Marlboro EMC and got a good response. Will be displaying both items at next week's Kroger Sales Meeting. Took David to lunch for further discussion.

V. MERCHANDISING PROGRAMS

Carton Merchandising

Plan A

Excellent response thus far to Space Trek. Since September 1, 121 independent accounts have been resigned, gaining 1740 new rows of which 989 were qualifying rows; 43 independent accounts went from positive to negative row gaps.

A couple of problems need to be addressed. When a value center is placed, it's also counted as part of available rows. Our 50% Marlboro requirement should, in this case, apply to the primary fixture only. Also, including Plan AV under Plan A eliminates our Plan AV placement bonus which will limit our future placements.

Plan A-1

Nothing to report.

2043945347

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Plan AV/AM

Total of 733 AV units on location in 618 stores.

Pack/Counter Merchandising

OHPM's

Penetration has increased to 17.1% with over 70 work orders on hand; 1279 on location.

Plan B/M

Penetration currently 46%; 58% of all on location are in prime position.

Plan BV/BG

No major changes to report.

Plan R

Nothing to report.

Vending

Nothing to report.

VI. SECTION ACTIVITIES

Heavy emphasis currently on Plan A and call book accuracy. DM's are doing extensive one-on-one updates with S/R's to improve overall accuracy.

The Southern Women's Show was held in Birmingham, Alabama August 27-30. Full details were communicated under a separate letter, however, the show was very successful and further solidified our relationships with Bruno's Supermarkets.

September 28 through October 1, we will be participating in Kroger's Fall Sales Meeting at Pine Isle Resort in Buford, Georgia. Details of this function will be reported under a separate letter.

Point of Sale Material

Permanent

No major changes to report.

2043945348

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Temporary

No major changes to report.

Material Over Produced

None reported.

Material Under Produced

None reported.

VII. SALES SERVICES

Nothing to report.

VIII. SALES DEVELOPMENTS

Nothing to report.

IX. MEDIA

Nothing to report.

X. ASSOCIATIONS AND CONVENTIONS

Nothing to report.

IX. SSM MISCELLANEOUS COMMENTS

Nothing to report.

2043945349

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

TRADE CLASSES (cont'd)

Drug Stores

After testing both PM pack modules and R. J. Reynolds' spring load pack rack, Arbor Drugs has decided to install Reynolds' rack due to the fact that it always gives the appearance of being full. The buyer is very interested in non-self service BV, and we continue to pursue this plan with him. They have accepted Virginia Slims Ultra Lights and will participate in our supplemental display program and in the VS Book of Days promotion.

Mass Merchandisers

We have recently conducted audits on 20 K-Mart stores to determine how many K-Marts currently carry generic and value brands. We were also trying to ascertain the number of stores that currently have R. J. Reynolds' value center. All 20 stores did carry some type of generic product or value brand packing. On the other hand, only four stores audited currently have Reynolds' value center.

With K-Mart discontinuing certain generic packings, we believe that an average of 10 rows would be freed up on all self service carton fixtures. During discussions with American and B&W field managers, it was conveyed to us that they are considering cutting back on carton fixture space and are no longer pursuing additional space. This would afford PM a tremendous opportunity to close our row gaps that currently exist in the K-Mart chain.

We will continue to keep National Accounts Department involved as to finding in the field and future discussions and opportunities with National Accounts Manager Mike Pfeil, and Director Les Olson. Currently, we are in the process of surveying Michigan K-Mart stores to determine:

1. Accuracy of call-book information.
2. Out-of-stock conditions.
3. Location of fixtures.
4. Determine if a value center is present.
5. Observe future opportunities store by store.

Our findings will be relayed to National Accounts, and I feel periodic meetings should be established with this department, SAM Jim Szudzik and myself to take advantage of future opportunities within the K-Mart operation.

Liquor Stores

Nothing new to report.

2043945362

Source: https://www.industrydocuments.ucsf.edu/docs/hmxl0000

I. MARKETING CONDITIONS

New PM Brand Introduction
Cambridge Full Flavor

The Cambridge Full Flavor introduction was successful in giving a needed boost to all Cambridge sales. As indicated by our Customer Analysis Report, we have had a 60.7% increase year to date. Extensive exposure on our B displays was useful in gaining additional awareness of the brand. Additionally, many retailers report good redemption on Cambridge coupons from the newspaper supplements.

We continue to experience problems with pricing on Cambridge against Black and White generics. Some retail outlets that do a high volume in generics will not carry Cambridge due to the fact that they are able to provide B&W generics at a significantly less, per carton, price from wholesalers. If they carried Cambridge, it would cut into Black & White sales, which would erode their profit margin.

Virginia Slims Ultra Lights

The retail introduction of Virginia Slims Ultra Lights is progressing smoothly with good results. We estimate a distribution level of approximately 90% at the conclusion of the introduction. Our pre-booking efforts, during August, have proven to be very beneficial as product has been in the stores prior to Sales Reps arrival. This has saved our Reps a considerable amount of time while performing their in-store mission as only brand merchandising is necessary.

With the introduction of Virginia Slims Ultra Lights, we have experienced a .9% increase in the sales of the entire Virginia Slims family throughout the month of August. We have observed excellent brand movement and our 2 for 1 promotion, to date, has been well received by both retailers and consumers. Most displays are selling out within a two day period. As expected, we have noted considerable cannibalism from our parent Virginia Slims Lights packings.

Retailers report that about 50% of their sales have come from current Virgina Slims smokers. On the positive side, they have noticed significant sales to smokers of True 100's, Eves, More and Salem Lights. They also stated that Virginia Slims Ultra Lights is gaining far more initial trial than B&W's Capri experienced.

All POS and display pieces are attractive and are providing good brand visibility. Additionally, all temporary samplers are on board and their outfits are most attractive and of high quality. National advertising has also assisted our sales force in achieving high awareness of this product. It has been noted, however, that the pastel coloring and slim

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MARKETING CONDITIONS (cont'd)

Virginia Slims Ultra Lights (cont'd)

print makes billboards rather hard to see. This imagery works well in magazines, however, does not project well from a distance. Locally, newspaper advertisement has been most beneficial in achieving distribution objectives and has made this introduction quite simple.

Benson & Hedges Lights Box

Direct account contact on behalf of B&H Lights Box has been completed. We have obtained an 85% acceptance level from this trade class. There are, however, several chain accounts that continue to hold out on this packing. Chain buyer response has been moderate due to the low SDI of box packings in our market. At retail, Sales Reps pre-booking efforts are being met with limited success due to the introduction of Virginia Slims Ultra Lights and the upgrading of Plan A contracted rows. Retailers are showing some reluctance to commit to a box line extension due to sluggish, overall box movement in our market.

Economic Conditions

The UAW has ratified a new contract agreement with the Ford Motor Company, thus avoiding a potential strike. This has had a very positive affect on economic conditions throughout the state of Michigan. The UAW has now begun negotiations with General Motors intended to keep all General Motor's employees on the production line.

Industry

Farmer Jacks/Borman, a major supermarket chain in metro Detroit, recently settled a seven day strike. This short work stoppage had a tremendous affect on overall store operations. Farmer Jacks competition, such as Great Scott, Kroger and A&P, increased their work forces and hours of operation. They also developed strategic marketing plans, which led to increased inventory levels in stores, and worked closely with all manufacturers to acquire additional promotional items. Their heavy advertising campaign was most successful in converting shopping habits.

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MARKETING CONDITIONS (cont'd)

Industry (cont'd)

Our Section sales, year to date, continues to be on the plus side at 1.2%. Lending to this increase has been the Marlboro family showing a 2.8% gain. Our most significant gains have been with Marlboro Lights Box, King and 100's, with increases of 23.4% and 24.2% respectively. Our Virginia Slims family is up .9%. This is due, however, to the introduction of Virginia Slims Ultra Lights. Our Cambridge family is also up 60.7%, and our new A&P brand, Royale, to date, has produced 2,568,000 units sold. We continue to project a 2.4% sales gain by year end.

II. MAJOR COMPETITIVE DEVELOPMENTS

American Tobacco

American's major emphasis is on the introduction of Pall Mall Filter Kings and 100's. A brochure was sent out to retail accounts telling them about the introduction. In the brochure, they were offered a $4.00 bonus for ordering two cartons of Kings and two cartons of 100's. Reps will pay $4.00 cash when they come into the store and see the product was ordered. Reps are placing 30-unit B1G1F counter displays with $1.00 off coupons in each unit and set/sells with 20¢ off per pack stickers. The 20¢ price reduction is paid locally. $2.00 off coupons are being placed on the carton at the factory. POS support includes placement of large and small posters using "A Mild Breakthrough" theme.

Malibu continues to be promoted in 40 and 60-unit 2 for 1 displays, which pay $3.00 and $4.00 respectively. In select accounts, Reps are placing permanent counter displays of Malibu with reported payments ranging from $15.00 to $25.00 per month. Movement continues to be very slow.

It is rumored that American will be discontinuing Carlton Slims due to sagging sales. It is also rumored that American will be adding nine Sales Reps to their Michigan Sales Force to improve coverage.

Couponning is done at manufacturing and aids company in maintaining couponned product at retail. Whereas we have 70-85% of our Cambridge product couponned, they have 100% in all outlets. This is a definite advantage in dealing with price conscious customers.

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MAJOR COMPETITIVE DEVELOPMENTS (cont'd)

Brown & Williamson

B&W is continuing to place Capri at the forefront of their activities. Five Reps, from other areas in the state, were brought into the Grand Rapids market for the introduction. This allowed for immediate distribution and visibility for the brand. Massive amounts of temporary POS and promo displays are being placed. They are placing four-carton B1G1F counter displays and 18-carton B1G1F floor displays. Payment is $3.00 and $5.00 respectively. The 2 for 1 packs are attached to a card with a mail-in offer for the consumer to receive future promos through the mail. Permanent counter displays, resembling cosmetic displays, are paying $5.00 per month and have a two-carton capacity. Ten-carton floor displays, with $2.00 off coupons attached, are paying $5.00.

Temporary POS includes posters, talkers, jumbo packs and small stand up counter cards. Retailers are being paid $3.00 for each poster they keep up until the Sales Rep returns again. This is gaining longevity for the Capri advertising and the retailers become very protective of any advertising pieces in their store for the brand.

Retailers have been quite impressed with the attractiveness of the package and displays. Distribution is running quite high, with about 90% in most areas. Initial trial of the brand by consumers is reported to be good. It is reported that customers are trying the brand because of the uniqueness of it. Teenage smokers like the brand.

Reps are placing secondary emphasis on promoting Falcons. Reps are placing 40-unit counter displays with 10¢ off coupons attached to each pack, paid locally. They are also placing 30 and 15-carton floor displays with $1.00 off carton coupons attached; no payment reported.

Liggett & Myers

As reported the past two months, company Reps are placing special emphasis on maintaining distribution and inventory levels of their generic product. Reps are placing $2.00 coupons on all regular priced cartons and $1.00 coupons to generic cartons. In some carton outlets, Reps are placing 20 to 60 cartons of couponned product in floor displays, paying retailer $5.00 for placement.

Reps continue to place Eve floor displays featuring a free Jordache cloth cigarette case with carton purchase as reported the past two months. In pack outlets, Reps are also attaching a free Eve lighter to two packs of Eve 120's with $2.00 payment for a counter set/sell.

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MAJOR COMPETITIVE DEVELOPMENTS (cont'd)

Liggett & Myers (cont'd)

Company is in the process of enhancing the packaging design of their Q (Quality) brand in an effort to compete with branded generics Cambridge and Doral. The new design is similar to their "Total" generic brand.

Lorillard

Promotional activities at retail have focused on Newport and True packings. Each brand is currently offering 40 and 80-unit displays featuring a free lighter with a 2-pack purchase. To increase inventory levels on Newport Lights, Sales Reps are offering retailers a free 12-can cooler with the purchase of 10 cartons. As a consumer offer, they are placing 40-unit B1G1F and 40-unit lighters with 2-pack purchase displays of Newport Lights. Each display pays $2.00.

Secondary emphasis is on $2.00 couponning for all Lorillard product in carton outlets.

Lorillard's new full flavored cigarette, "Harley Davison" has been receiving some Wall Street press on cable news networks. They are targeting "hard-core blue collar smokers," and the brand is scheduled for introduction in October.

R. J. Reynolds

Winston Lights Box continues to be featured in a B1G1F (four cartons) display with a $2.00 payment. Movement has been slow but steady in most instances. Winston Red and Lights are also offering a can cooler (with Detroit Lions emblem) with a 2-pack purchase. Display size is 8 to 10 cartons with a $5.00 payment. Display also contains a $1.00 off coupon inside each unit. The Salem brand family is also being offered in a B1G1F (see details of Winston Lights).

R. J. Reynolds has been using couponning as a way of keeping retailers from switching from their fixturing to PM's. Reps have told retailers that if their carton rack is replaced by ours, they will no longer coupon their cigarettes.

POS cards for Doral have been changed from saying "lowest price" to "low price". There is actually a piece of adhesive tape attached across the words "lowest price" to make this change. We haven't heard any reasoning behind this change in advertising.

Reynolds is making a significant push for overheads in our Section. They have replaced approximately 15 of our

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MAJOR COMPETITIVE DEVELOPMENTS (cont'd)

R. J. Reynolds (cont'd)

overheads in the last few weeks. Obviously, some type of financial inducement is being made to these accounts to secure the overhead placement, but there is nothing concrete or in writing regarding these payments.

Reps are going into accounts that have their value centers and informing them that all regular priced product must be removed from the value center or they will not pay anymore. This includes Malibu, Players and Lucky Strikes. This was just reported, so we have no comments yet from retailers. This should assist us in gaining additional placements for our value center, especially with our new payment and bonus structure.

Many articles have been published about R. J. Renolds' commitment to reduce their labor force by 2,800 and the addition of Planters Peanuts and Life Savers to the tobacco division. It has not been noted that local sales personnel are doing anything with Planters or Life Savers.

III. TRADE CLASSES

Wholesale Distributors

The credit situation with Schiller Inc. of Bay City continues to improve. Currently, they are receiving seven days of credit from PM, which is a tremendous improvement over previous months where all shipments were cash on delivery. Their credit situation is also improving with all competitive tobacco companies. Schiller has been given extended terms on our B&H Lights Box introduction, which is very similar to previous introductions of Cambridge Full Flavor and Virginia Slims Lights.

J&J Wholesale has picked up business acquiring the Target stores account. This account is headquartered in Minnesota. We currently have a Plan A with Target and a POG should be forthcoming from Section 44. J&J's Dan Jenuwine informed us that he intends to use the same POG and the same program which is currently being implemented with F&M Discount. This type of program is not very beneficial to our program objectives. Currently, Dan is trying to control inventory levels to eliminate out-of-stock conditions. Based on audits, this program is not working very well. We have scheduled an appointment to review our findings in

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TRADE CLASSES (cont'd)

Wholesale Distributors (cont'd)

relationship to his inventory control program and will try to gain some changes so that this program will not disrupt our normal in-store mission activities.

We have been informed that J&J Wholesale, in Centerline, will operate in the red during September, marking four consecutive unprofitable months. Owner, Dan Jenuwine, is currently negotiating for the sales of J&J with S. Abraham & Sons of Grand Rapids. Dan has agreed to give Abraham exclusive negotiating rights for the next 30 days.

Foodland Distributors has accepted our Benson & Hedges Lights Box. Some problems have developed in that they only want to accept minimum quantities. As a result, it is necessary for AM's to make numerous calls to Richmond in order to ensure that product ordered for this account will be on allocation. We have scheduled a future appointment so that we may review the situation and share, with Account Buyer, Dan Cheaney, the need to order sufficient quantities to satisfy his independent customers, notably, Foodland Supermarket and Krogers stores.

Wholesale Grocers

In a move intended to refocus its efforts on wholesaling, Spartan Stores will offer most of its corporately owned supermarkets for sale to its member retailers. Twenty-two stores are to be sold. They are in Michigan and Indiana, operating under the Hardings and Valuland names. Three Valuland corporate stores, two in Detroit and another in Huntington, Indiana, will be retained by Spartan. Spartan has placed an October 2nd deadline for offers on the stores that are to be sold. In addition, it is expected to take a few months after this deadline before the transfers of ownership are completed. Spartan will continue to maintain some corporate stores which will facilitate testing store formats, equipment, systems, etc., as well as allowing them to penetrate new markets when a member retailer is not available to do so.

Supermarkets

Hardings Supermarkets has accepted both the Virginia Slims Ultra Lights and the B&H Lights Box introductions. As previously mentioned, a number of Hardings stores will be sold as they are corporately owned by Spartan, which is a Wholesale Grocer. It is not yet known how many of the Hardings stores will remain after this sale.

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TRADE CLASSES (cont'd)

Supermarkets (cont'd)

A second presentation on behalf of System 2000 was made to Roger Jones and Bob Byrons of Felpausch Supermarket. There still seems to be some interest in our fixtures, but they are also weighing the potential loss in payment dollars from R. J. Reynolds if they place our fixtures. We have been asked by the account what we can do for them, contract wise, on their current fixture. They were informed that we could work something out but we would require a primary shelf as part of our space on the current fixtures. They indicated that this would not be a problem. We are preparing POG's for the current fixtures and an appointment will be scheduled to review them with the account.

We have been successful in securing a primary shelf in one Family Foods Supermarket. We were able to secure this shelf after R. J. Reynolds had alredy POG'd and set us in an area of choice. We are continuing our efforts to secure primary shelves in the remainder of Family Foods stores.

We were recently informed of a change in the POG for D&W Foods, in which we were to set an area of choice with a loss of rows. On September 2, 1987, we met with the buyer and informed him that we would not be able to pay on the POG as it was outlined. At that time, we gave him a counter proposal on both positioning and rows for PM. He asked us to come back on September 10th. At this appointment, he informed us that he will be using our counter proposal as his first choice of POG, and if this is unworkable, he will revert back to the old POG. He plans to discuss the POG's with the store directors and will let us know by the end of the month which stores will be going with which POG.

The court appointed receiver for the troubled Chatham Supermarket chain has found a buyer for three or four of the five supermarkets still in operation. The sale is awaiting the approval of the Macomb County Circuit Court. The sale is recommended as Chatham is unable to pay their $4 million of outstanding debt. Great Scott Supermarkets/Allied, despite their denial, is rumored to be the potential buyer. It is well known that Great Scott intends to open 20 more stores in the next five years.

Acceptance of Virginia Slims Ultra Lights is pending in A&P until a decision is made whether to warehouse the brand or purchase from secondary suppliers. During a recent meeting, we discussed AV status and the seven outlets in non-compliance due to fixture rejection or removal. The buyer said he would deal with these through the headquarter level.

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TRADE CLASSES (cont'd)

Supermarkets (cont'd)

Kroger has accepted Virginia Slims Ultra Lights and a forced shipment of ten and ten is to be sent to all 57 stores. Some problems have developed in relationship to this program because of Foodland Distributors' lag time in accepting the brand. All 26 stores, which have been set to our new Plan A, have been audited and are currently in compliance. We are in the process of developing additional presentations to this account so that we may secure additional space, which is needed for PM to effectively conduct business.

As reported last month, Glen's Market has reassigned our Plan A and given PM a primary shelf. The POG in this program is for 19 stores. Dale Domstein, Merchandising Manger, will be doing inventory studies in one year to see if any companies need more or less space on the fixtures in their store. I feel, due to the amount of volume that PM does in this outlet, we will receive additional space for our product in the future.

Plan A proposals have been given to Giantway Supermarket with PM occupying a primary shelf. The buyer for this account is contacting other tobacco companies for approval of our POG's. We have a follow-up appointment scheduled for September 30, 1987. At such time, we should either receive an affirmative answer or we may need to develop further presentations to ensure that we received adequate space and shelf position to conduct business.

Convenience Stores

We were contacted by Mike Dutriew, of 7-Eleven/Southland. He was interested in seeing what type of outdoor signage we have available. A meeting was set up with Mike and members of the PM sales staff so that he would be able to visually see the types of materials we have. Mike stated that he was impressed with our POS, but he was also interested in merchandising payments for placements of these materials.

Quick Save Food Marts has agreed to test a PM overhead in one location. If the test gains favorable response, they will consider placement in all 17 locations.

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TRADE CLASSES (cont'd)

Convenience/Gas Stores

Crystal Flash will be opening three new stores within the next two months. This will bring the total number stores to 20.

Admiral Petroleum continues to test our System 2000 in two locations and, as reported earlier, R. J. Reynolds has made a counter offer to Admiral headquarters for their carton fixtures. We have since countered Reynolds' offer featuring a seven-high System 2000 and have POG'd Reynolds on the top two shelves with PM on the third and fourth shelves. Admiral has committed to us that they will force Reynolds to pay on our carton fixtures. They will also keep us informed as to progress with this program.

Wesco will be adding 4' to 8' to as many of their current C/I departments as possible. This addition to the fixture will be used to expand the department so that generics and value price brands can be included as part of the main fixture. When they are able, they plan to do away with as many value center racks as possible.

The buyer for the Huron Valley/Imlay City Total stores has expressed interest in reinstating Plan B. He is also very interested in Plan AM for all locations. We have scheduled a follow-up appointment on behalf of both merchandising pieces.

We have signed an AL contract to 48 rows for Schmuckal Oil, and PM reserved the top two shelves in 13 locations. We expect a decision to be made by September 20, 1987, for the additional rows.

Gas Stations

The offices of Gas & Go will be moving to Farmington Hills during September. We have discussed our display program for additional store placement with District Manager, John Thomas. John informed us that decisions pertaining to merchandising programs were not made at his office and must be presented at their headquarters in Cleveland, Ohio. We will be reviewing this situation so that we may solicit Section 23 for their assistance in future merchandising plan with this account.

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TRADE CLASSES (cont'd)

Drug Stores

After testing both PM pack modules and R. J. Reynolds' spring load pack rack, Arbor Drugs has decided to install Reynolds' rack due to the fact that it always gives the appearance of being full. The buyer is very interested in non-self service BV, and we continue to pursue this plan with him. They have accepted Virginia Slims Ultra Lights and will participate in our supplemental display program and in the VS Book of Days promotion.

Mass Merchandisers

We have recently conducted audits on 20 K-Mart stores to determine how many K-Marts currently carry generic and value brands. We were also trying to ascertain the number of stores that currently have R. J. Reynolds' value center. All 20 stores did carry some type of generic product or value brand packing. On the other hand, only four stores audited currently have Reynolds' value center.

With K-Mart discontinuing certain generic packings, we believe that an average of 10 rows would be freed up on all self service carton fixtures. During discussions with American and B&W field managers, it was conveyed to us that they are considering cutting back on carton fixture space and are no longer pursuing additional space. This would afford PM a tremendous opportunity to close our row gaps that currently exist in the K-Mart chain.

We will continue to keep National Accounts Department involved as to finding in the field and future discussions and opportunities with National Accounts Manager Mike Pfeil, and Director Les Olson. Currently, we are in the process of surveying Michigan K-Mart stores to determine:

1. Accuracy of call-book information.
2. Out-of-stock conditions.
3. Location of fixtures.
4. Determine if a value center is present.
5. Observe future opportunities store by store.

Our findings will be relayed to National Accounts, and I feel periodic meetings should be established with this department, SAM Jim Szudzik and myself to take advantage of future opportunities within the K-Mart operation.

Liquor Stores

Nothing new to report.

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TRADE CLASSES (cont'd)

Other Retail Outlets

Nothing new to report.

IV. KEY ACCOUNT CONTACTS

K-Mart **Bill Bunch**
Troy, MI **Assistant Buyer**

Accompanied SAM Jim Szudzik and AM Karen Anderson to presentation on behalf of Benson & Hedges Deluxe Ultra Lights, which was well received. Both managers demonstrated good techniques in presenting the product. Jim, in particular, was very persuasive. Jim did an excellent job in ascertaining Bill's position on future carton rack plans for the K-Mart chain.

Consequently, we discovered that Bill Bunch may be interested in providing additional rows for Philip Morris as a result of American and B&W Tobacco threatening not to pay due to their generic product being removed. However, since discussing this development with New York and yourself, we will not acquire any additional rows without mutual agreement by Region and New York.

Carter IGA **George Webb**
Flint, MI **Buyer**

Accompanied Mark Barton for presentation on behalf of the Carter IGA, 15-store supermarket chain. Mark presented System 2000 and the electronic message board. Marks has done an excellent job in preparation and a good selling job with various scenarios for POG's, which fit in with the front end merchandising of Carter IGA. The presentation was well received and I personally feel that this account has serious potential. Mr. Webb would like us to join him for a joint presentation to the committee at the end of this month. He will be advising us of a presentation date shortly. I will keep you apprised of any future development.

V. MERCHANDISING

Plan A/Compact Impact

In an effort to eliminate row gaps for determined Space Trek objectives, merchandising time during September and October will be devoted exclusively to Plan A presentations for further development of our System 2000. DM's have identified accounts where System 2000 will be presented and tentative presentation dates have been established. Our

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MERCHANDISING (cont'd)

Plan A/Compact Impact (cont'd)

management staff will be totally involved in all presentations. At our management meeting on August 27, 1987, we thoroughly discussed row gap analysis for all chain and independent accounts as well as Space Trek objectives. We also reviewed our objectives of gaining primary shelves and use of auxiliary AM fixtures to gain needed rows. All AM's and DM's exhibited a great understanding of expectations and all committed to meeting established objectives. Additional AG/AV fixtures were ordered for each warehouse located in the Section to ensure availability.

Our new Space Trek Program is an excellent motivational tool and was well accepted at our Section meeting. We are finding that the 50% requirement of available space on carton fixtures being allocated to Marlboro is much needed in many markets. In Michigan, the SDI on the Marlboro family would not reflect this kind of space allocation. We feel that we risk the chance of running low on inventory or creating out-of-stock situations on brands such as Virginia Slims, with an SDI of 123, and Merit with an SDI of 111. Additionally, in reviewing row gap information for the K-Mart chain, this represents a total of 50% of the rows needed for the Section. As mentioned earlier, we will work closely with National Accounts to meet our objectives with this important account and to realize our goals in pursuing our trip to Acapulco.

We have received favorable interest from IGA stores in Northern Michigan on behalf of our System 2000. Alpena Wholesale Grocer, located in Alpena, has requested presentations concerning fixturing, DPP and Customer Track. AWG services the majority of IGA stores and would like to work closely with us which would mutually benefit both PM and AWG.

To date, 60% of the Speedway stores have been set to our new Plan A contract. We continue to await the arrival of new fixtures in many locations from R. J. Reynolds. Once this project is completed, it will help us to greatly reduce our row gap throughout the Speedway chain.

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MERCHANDISING (cont'd)

Plan A-1

Response to the Marlboro Sports Bag A-1 was excellent from both retailers and consumers due to the popularity of the brand and the quality of the incentive item. Most displays completely sold out within a one week period. Our ability to make cash placement payments on a local basis has had a positive impact on display acceptance and bin usage. All Marlboro displays were utilized. In select divisions, more bags were shipped than needed to satisfy display requirements. This has not created a problem as we plan to use these at conventions, trade shows and outings.

Plan AG/AV

DM's are tying AG/AVs in during Plan A presentations. Where practical, we are informing accounts that to qualify for Plan A, we must obtain both a primary shelf and wither a PM overhead or an AG/AV fixture. To date, this has been a very successful tactic. DM's will not make this demand if it jeopardizes the Plan A, but thus far, retail acceptance has been surprisingly high and multiple new placements have been recorded.

We will continue to use AG/AV as a valuable tool to build distribution, inventory and visibility for Cambridge and Players Lights 25's.

Plan B/Plan R

No major problems have developed concerning Plan B, and over the past month, we have recorded solid gains in obtaining prime locations and add-on units. We are anticipating compliance problems during the last quarter due to the Christmas holiday season. DM's will be working closely with the sales force to monitor this situation and resell positioning and compliance to all retailers.

Plan R has remained relatively stable, however, with the current availability of our low profile spinner racks, we anticipate greater participation.

Vending

As stated, vendor requests for ACMR's continue to increase. The recent price increase has generated much of this demand, and we continue to build placement and header card visibility as a result.

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MERCHANDISING (cont'd)

Vending (cont'd)

To keep pace with consumer smoking trends, vendors are beginning to realize the importance and growth of the price/value segment. Vendors in high generic SDI areas have vended generics for several years, and we are noticing increased consideration of this by Michigan vendors which represents opportunities for Cambridge placements.

Vending Programs

The Section total number of vending placements for 1987 is as follows: B&H Family-160, Marlboro Family-460, Merit Family-340, Parliament-0, Virignia Slims Family-82, Others-0.

DataVend

Nothing new to report.

Ride-Withs

Nothing new to report.

RDA

Nothing new to report.

PM Fixtures

AM's and DM's are continuing their presentations on behalf of System 2000. To date, we have placed System 2000 in 18 independent accounts and 12 chain stores. We have received commitments for approximately 15 additional locations. We continue to experience some problems with partial shipments; however, this appears to be resolved.

As we begin to place System 2000, some observations and retail comments have been noted.
1. The fixtures are extremely heavy which necessitates on-site installation. Pre-assembly is not practical.
2. Retailers are impressed with the appearance of our fixture, but have commented that it would look even better if the security shield were the same color as the rack.
3. The 7th shelf and low profile options are well received and definitely fill a nitch in the market.

W have a need for a more sophisticated package merchandiser to penetrate non-self service drug and convenience outlets that do not opt for overhead fixtures. R. J. Reynolds' spring load fixture is beginning to dominate in these accounts due to the capacity and its appearance of always being full.

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VI. SECTION ACTIVITIES

On August 28th, we conducted a Section Sales Meeting on behalf of the Space Trek program, Virginia Slims Ultra Lights and Benson & Hedges Lights Box introductions. Jack Fitzmorris, from Maritz Company, was on hand to field any questions on the Space Trek program. The Sales Reps responded enthusiastically to this program, and it will undoubtedly proved to be a great motivator in our quest to gain Plan A rows. All star ship name entries were collected and forwarded to New York.

We remain in constant contact with Kerrie Cooper of PS Productions to coordinate the B&H Command Performance program, which is being held in Royal Oak and Kalamazoo. We have opted for no hospitality reception due to the availability of tickets and reception space. Materials are beginning to arrive and the program is coming together as per scheduled.

The 1987 Marlboro Cup Simulcast program met with considerable disappointment at the Detroit Race Course in Livonia. This event was held on September 20th. The DRC would not permit sampling activities during this event. Several posters, however, were placed at the track, but no other activities were conducted. Due to the geographical location of the track, it was impossible to sample outside the grounds because the track area is fenced and the traffic flows directly into the track from the adjacent expressway. We recommend that the DRC be eliminated from future participation of this nature.

VII. SALES SERVICES

There is a lot of confusion by DM's as to how row gap figures were calculated. This is due to discrepancies between individual divisions and accounts within divisions. As an example: two accounts sell 300 cpw, PM distribution is identical. One account requires 65 rows to eliminate row gap, the other requires 70 rows. The account requiring 70 rows is in a lower share area than the account needing 65 rows. It would be helpful if New York would provide a brief written explanation as to how row gaps were determined as this would eliminate many of their questions.

With the multitude of PM merchandising fixtures now available, it would be extremely beneficial if New York would develop a merchandising fixture binder exclusively for carton, pack and AV/AG fixtures. We have currently been making our own, but this is time consuming and often incomplete due to out-of-stocks on sell sheets. If a binder was provided complete with dimensions and capacities of all fixtures, this would be a great sales aid to our sales force. R. J. Reynolds' Sales Reps have had this for years and have been very successful with it.

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SALES SERVICES (cont'd)

Our activities revolving around the planning desk continues to improve daily. Our MPA has been working closely with Nick Nicholas to resolve our problems and improve the production of quality reports. We would like to recommend that a menu be developed of step by step procedures for each individual report that can be generated from the planning desk. Also, we anxiously await the arrival of instructions to pull Space Trek information from the system.

To date, we have yet to receive the furniture for our planning desk. A separate room has been designated to accommodate this new furniture.

We have had hard drive replaced in the Section Administrative Assistant's PC. IBM was quick to make the service call and efficiently replaced the hard drive. Since that time, Display Write 3 has been installed and the computer is functioning properly.

We have also had reason for IBM to inspect a Merchandising Assistant's Quiet Writer Printer. She has been experience constant malfunctions while using this printer. IBM made the service call, however, problems still exist. Another call to Irene Tiranno and we await another service call from IBM.

VIII. MEDIA DEVELOPMENTS

We are receiving excellent response from the Michigan Smokers News Letter that is being produced exclusively for our State. We are interested in some feedback as to who is receiving this newsletter. If this cannot be done, we would like to recommend that it be circulated to all management and retail accounts located within Michigan. While we realize this could be an extremely large circulation, we feel the benefits would be tremendous. Thanks for this circular and keep up the good work!

We continue to experience difficulty in obtaining outdoor or newspaper advertising in the Benton Harbor and St. Joseph areas. From our understanding, this area is considered part of the Chicago ADI and thus, the only time advertising is provided is in conjunction with media buys in the Chicago area. This presents problems in gaining the proper exposure for our new brand introduction and on-going brand exposure in Michigan's eighth largest metropolitan area. We will request help in this area which should further aid our business and brand development.

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MEDIA DEVELOPMENTS (cont'd)

On September 14th, R.J.R./Nabisco unveiled the new "smokeless" cigarette. The product is presented as a healthier alternative for both smokers and nonsmokers affected by ambient. All Detroit area TV news stations and newspapers picked up on the story and broadcasted it complete with film during evening news telecasts. It is receiving a considerable amount of press.

IX. ASSOCIATIONS/CONVENTIONS

The Michigan Tobacco Candy Distributors Vendors Association Convention was held in Boyne City. The Association recognized SAR Larry Brown as the Manufacturers Representative of the year. Larry was presented a plaque for the outstanding achievements as Representative of Philip Morris and for his dealings with the many customers throughout the state of Michigan. The convention was most successful in allowing us to associate with our many wholesalers and vendors throughout the state. We recommend our continued participation during this important convention.

The Michigan Food Dealers Association Convention was held in Traverse City. Approximately 1500 people attended the convention. Our participation was a trade booth exhibit. We attended business meetings, receptions and were involved in all activities. It was noted during the trade show that General Foods, Miller and PM were represented. Due to the increased participation of this convention, it is recommended that in the future PM has one large booth to accommodate General Foods and Miller with PM, or have separate booths side by side advertising PM Companies Inc. with separate division signs for each group. This concept was discussed with Paul Fershee, President of MFDA. Paul was in favor of this idea and suggested that if we were to implement this idea, we should start planning for next years convention in the immediate future.

X. MISCELLANEOUS COMMENTS

Nothing new to report.

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